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*62<sup>nd</sup>*

# *Annual Report*

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Canadian Westinghouse Company Limited

1965

### Board of Directors

D. I. W. BRUCE  
J. D. CAMPBELL  
A. T. LAMBERT  
G. G. MAIN

B. MATTHEWS  
A. K. McCORD

L. METHOT  
W. P. PIGOTT  
F. C. WALLACE  
G. L. WILCOX

G. A. PRICE  
*Director Emeritus*

### Executive Committee

J. D. CAMPBELL

G. G. MAIN  
G. L. WILCOX

A. K. McCORD

### Officers

J. D. CAMPBELL  
*President*

J. A. CAMPANARO  
*Vice President – Central Region*

J. E. CRANSWICK  
*Vice President – Apparatus Sales*

J. W. HENLEY  
*Vice President – Personnel*

M. C. LOWE  
*Vice President – Apparatus Products*

P. F. CONNELL  
*Comptroller*

D. C. MARRS  
*Vice President – Consumer Products*

L. A. McCALPIN  
*Vice President – Tubes*

H. N. MULLER  
*Vice President – Engineering*

E. E. ORLANDO  
*Vice President – Eastern Region*

T. E. ROBERTSON  
*Treasurer*

D. I. W. BRUCE  
*Secretary*

December 31, 1965

CANADIAN WESTINGHOUSE COMPANY LIMITED  
HAMILTON, ONTARIO, CANADA



# SIXTY - SECOND ANNUAL REPORT

1965

## *To the Shareholders:*

The Company's net sales billed reached \$184.0 million in 1965, again establishing a new record and exceeding net sales billed in 1964 by \$17.4 million or 10%. Nearly all major product lines and service operations contributed to this increase in volume.

Income from operations of \$8.5 million was up 16% from the \$7.3 million earned in 1964 despite substantial start-up costs at the new Saint-Jean plant and a prolonged strike at the London plant. After other income, debenture interest and income taxes, net profit for the year was \$4,238,437 (\$6.61 per share on 641,343 shares outstanding). This compares with a net profit of \$3,489,377 in 1964 (\$5.62 per share on 620,567 shares outstanding). Dividends paid during the year amounted to \$1,016,428 (\$1.60 per share). Net book value per share at December 31, 1965, was \$89.62.

Net bank indebtedness at December 31, 1965, of \$11,503,431 compares with a favourable balance of \$164,345 at the end of the previous year. This increase in bank debt resulted from an increase in expenditures for new facilities and equipment, an increase in accounts receivable and inventories to support a higher level of activity, and the reduction in progress payments from customers anticipated in last year's report. Details of the changes in the Company's cash position are shown on page 7.

## OPERATIONS

In 1965 the electrical products industry experienced its fifth consecutive year of increased shipments, the last four of which have been exceptionally vigorous growth years with all major segments of the industry participating. Total industry

shipments amounted to \$1.9 billion, an increase of some 11 percent over 1964. Most of the demand creating factors of the past several years should be present again in 1966. As a result of the rapid pace since 1960, most sectors of the industry are now faced with shortages of skilled labour and are operating at, or rapidly approaching, full capacity. Consequently, while the output of the industry will continue to be high, some slowing down in the rate of growth during the coming year may be anticipated.

**Apparatus Products** — Shipments of hydraulic generators, power transformers, circuit breakers, large motors, switchgear equipment and control systems were considerably higher in 1965, reflecting the increased requirements of electric utilities, steel mills, mining and other resource industries. Shipments of steam and gas turbines were at a relatively low level; however, extensive development work on turbines was carried out during the year. New orders either increased or were well maintained in most lines of utility and industrial apparatus thus ensuring a continued high level of activity. Significant orders included seven gas turbines for pipe line pumping and two for ship propulsion; a 12,000 HP motor for the petroleum industry, one of the largest ever built in North America; ten 100 MVA transformers for export to overseas countries; eight hoists for potash and nickel mining; and the propulsion and control equipment for the Montreal Expo '67 subway system.

Shipments and new orders were also appreciably higher in the construction industry divisions in 1965, the result of a record level of activity involving both commercial and industrial building programs. One of the outstanding orders received during the year was for the electrical equipment for the 56-storey



**Toronto-Dominion Bank Tower** — the largest commercial building in the Commonwealth. In May, the Company commenced manufacturing operations in its recently acquired plant at Saint-Jean, Quebec. This is a modern facility of some 160,000 square feet, and ideally suited for producing a wide range of electrical apparatus for utilities and the construction industry.

**Consumer Products** — All segments of the market for consumer durables in which the Company participates experienced steady gains during the year; these gains were reflected in high levels of activity for all consumer products divisions. Early in 1965, a new line of top loading automatic washers was introduced; these, combined with the continuation of the front loading models, make up the most complete line of automatic washers on the Canadian market. Several other products were introduced during the year, including a portable humidifier, a "Black Glass" television set, a cordless slicing knife and a portable electric room heater. Colour television production was increased to meet a rising demand resulting from the announcement that colour telecasting in Canada would commence in 1966. The outlook for both appliance and home entertainment products is encouraging and is supported by a high rate of household formation, a strong replacement market and a number of relatively new products which have a high growth potential.

**Electronics** — Although reduction in defence production programs resulted in a pronounced decrease in the Company's manufacturing output of electronic equipment, engineering activity remained at a high level. Work continued on several important projects such as Hydrofoil, Sonar, Naval Projectile and company-sponsored research and development in several promising new fields. During the year sales activity in export markets resulted in orders of line tracing equipment (LINATROL) from the Federal Republic of Germany, the U.K. and the U.S.A.

**Atomic Power** — Facilities for research on heat transfer have been expanded and new facilities for long-term fuel evaluation studies have been installed at the Beach Road plant. A major program in nuclear material development has been started. A contract was obtained for the supply of power reactor fuel for the Rajasthan Atomic Power project in India and delivery of the finished fuel will continue through 1966. During the year, atomic fuel and fuel components were fabricated for Canada's research and power demonstration reactors, and for customers in the U.K. and the U.S.A. Development programs on fuel designs were initiated on behalf of Atomic Energy of Canada Limited for the Pickering atomic power generating station of Ontario Hydro, and for the BLW (Boiling Light Water) reactor of Hydro Quebec.

**Air Brake** — Shipments of air brake products again were higher than in the previous year. The new ABD freight brake was introduced and met with good customer acceptance because of its low maintenance cost features. The development of industrial brakes for mine hoists and industrial use, and an expanded line of industrial pneumatics, have broadened the market for products requiring skills and equipment similar to those used in air brake manufacturing.

**Research and Development**—The program of applied research in Electroluminescence, referred to in last year's report, has progressed to the point that permits the start of product manufacturing in 1966. The project on the microminiature integrated circuits, supported in part by the National Research Council Industrial Assistance Fund initiated last year, progressed satisfactorily with initial facilities set up and basic production procedures established. A new section of the Laboratories, known as the Nuclear Materials Section, has been established, in order to bring together existing projects undertaken for Atomic Energy of Canada Limited and to provide for additional research and development projects.



**Exports** — During the year, exports of military hardware produced under defence sharing contracts continued to decline, but there was a pronounced increase in both shipments and orders for commercial products. Exports of consumer products reached an all time high with shipments to over thirty countries, thirteen of which were in the Commonwealth.

## EMPLOYEE RELATIONS

At the end of 1965 there were 10,443 employees, an increase of 295 over the previous year. During the year, 69 retirements brought the number of employees now on pensions to 679.

Thirteen labour agreements were negotiated, two of which involved strikes, one of a ten week duration at London and one of six weeks duration at Vancouver.

Participation in the Suggestion Plan continued at a high level, with employees submitting 2,852 suggestions and receiving \$36,763 in awards; total estimated savings amounted to \$197,000.

Company training programs continued at a high level during the year. In addition, the Company stepped up its encouragement and assistance to employees to help them update their knowledge and skills by taking courses at universities, technological institutes, and other centres. Approximately 250 people were assisted in such programs.

During the year, benefits received by employees and their dependants, exclusive of pensions, amounted to \$1,900,000. Employees contributed \$1,150,000 to the Supplementary Pension Plan and the Company contributed \$1,000,000 in support of Company pension and retirement plans.

Following the enactment of the Canada Pension Plan and the Quebec Pension Plan, the Company, which established the first pension plan for employees in 1920, announced a new Consolidated Pension Plan to be effective January 1st, 1966. This plan, which blends the Canada Pension Plan and the Old Age Security Act payments with an improved Company program, will apply to all employees except

those whose pensions are the subject of formal agreement. The Company has indicated its willingness to extend the plan to cover such employees in amended pension agreements.

## GENERAL

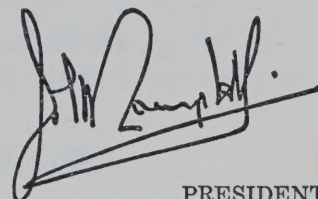
Capital expenditures of \$6 million were at a level similar to that of 1964. These expenditures were concentrated predominantly on new machine tools in a continuation of the program of upgrading facilities. Significant outlays included equipment for the Saint-Jean, Quebec plant acquired late in 1964, a new Apparatus Service shop in Vancouver and partial construction of the new high bay extension to the Beach Road transformer plant.

Progress has been made in the application of computer technology to manufacturing, resulting in improved scheduling of production, control of inventories, shorter shipping schedules and improved service to customers.

Mr. R. L. Warren, who had served the Company well as a director for eight years, died on February 10th, 1965. His place was taken by Mr. A. T. Lambert, President of the Toronto-Dominion Bank, who was elected at the Annual Meeting held on April 13th, 1965.

The Directors join me in expressing appreciation to employees for their work during the past year and for their help in advancing the Company's growth and in improving its earnings.

BY ORDER OF THE BOARD



PRESIDENT

HAMILTON, ONTARIO  
FEBRUARY 1, 1966

CANADIAN WESTINGHOUSE  
(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET  
(WITH COMPARATIVE FIGURES FOR 1964)

ASSETS

	<u>1965</u>	<u>1964</u>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 109,382	\$ 359,407
Accounts receivable .....	36,814,748	30,276,155
Inventories valued at the lower of cost or market (less progress payments thereon \$8,851,244 in 1965; \$13,305,170 in 1964) .....	40,836,259	30,463,201
Prepaid expenses .....	896,728	721,480
<b>Total current assets .....</b>	<u>78,157,117</u>	<u>61,820,243</u>
 <b>FIXED ASSETS:</b>		
Land, buildings, plant and equipment — at cost .....	65,146,960	59,830,139
Less accumulated depreciation .....	37,048,895	34,916,328
	<u>28,098,065</u>	<u>24,913,811</u>
<b>OTHER ASSETS .....</b>	2,492,340	1,243,542
	<u>\$ 108,747,522</u>	<u>\$ 87,977,596</u>

On behalf of the Board:

J. D. CAMPBELL, *Director*

D. I. W. BRUCE, *Director*



STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1965  
(Figures for 1964)

## LIABILITIES

	<u>1965</u>	<u>1964</u>
<b>CURRENT LIABILITIES:</b>		
Bank indebtedness .....	\$ 11,612,813	\$ 195,062
Accounts payable and accrued charges .....	21,791,013	16,936,855
Income and other taxes payable .....	3,913,470	4,124,402
	<hr/>	<hr/>
Total current liabilities .....	37,317,296	21,256,319
	<hr/>	<hr/>
<b>ACCUMULATED TAX REDUCTIONS</b> applicable to future years		
(note 1) .....	4,281,000	2,725,000
<b>FUNDED DEBT (note 2):</b>		
4½% sinking fund debentures due March 15, 1969 —		
Issued less redeemed .....	9,673,000	10,540,000
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (note 3) —		
Authorized — 900,000 shares of no par value		
Issued — 641,343 shares (620,567 shares in 1964) .....	13,617,868	12,819,928
Earned surplus .....	43,858,358	40,636,349
	<hr/>	<hr/>
	57,476,226	53,456,277
	<hr/>	<hr/>
	\$ 108,747,522	\$ 87,977,596
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# CANADIAN WESTINGHOUSE COMPANY LIMITED

## Statement of Consolidated Income and Earned Surplus

FOR YEAR ENDED DECEMBER 31, 1965

(WITH COMPARATIVE FIGURES FOR 1964)

	<u>1965</u>	<u>1964</u>
<u>Income</u>		
Sales .....	\$ 184,010,043	\$ 166,652,928
Operating costs and expenses (including depreciation of \$2,806,991 in 1965 and \$2,416,494 in 1964) .....	175,488,550	159,311,537
Income from operations .....	8,521,493	7,341,391
Other income:		
Profit on disposal of fixed assets .....	100,823	40,462
Investment income .....	70,763	148,928
Discount on debentures purchased for redemption .....	15,722	16,595
	8,708,801	7,547,376
Interest on debentures .....	470,364	507,999
Income before income taxes .....	8,238,437	7,039,377
Income taxes (note 1) .....	4,000,000	3,550,000
Net income for year .....	\$ 4,238,437	\$ 3,489,377

## Earned Surplus

Balance at beginning of year .....	\$ 40,636,349	\$ 37,517,189
Net income for year .....	4,238,437	3,489,377
	44,874,786	41,006,566
Dividends declared .....	1,016,428	370,217
Balance at end of year .....	\$ 43,858,358	\$ 40,636,349



# CANADIAN WESTINGHOUSE COMPANY LIMITED

## Statement of Changes in Consolidated Cash Position

FOR YEAR ENDED DECEMBER 31, 1965

### FUNDS OBTAINED FROM:

#### Operations —

Net income for year .....	4,238,487	
Charges not requiring cash outlays:		
Depreciation .....	2,806,991	
Taxes deferred to future years .....	1,556,000	\$ 8,601,428
		<hr/>
Proceeds from shares issued .....		797,940
		<hr/>
		9,399,368
		<hr/>

### FUNDS USED FOR:

New facilities and equipment .....		5,991,245
Purchase of debentures for cancellation .....		867,000
Dividends to shareholders .....		1,016,428
Financing of increases in —		
Accounts receivable .....	6,038,593	
Inventories (including reduction in progress payments from customers, \$4,453,926) .....	10,373,058	
Prepaid expenses .....	175,248	
Other assets .....	1,248,798	
		<hr/>
		17,835,697
Offset in part by increases in accounts and taxes payable .....	4,643,226	13,192,471
		<hr/>
		21,067,144
		<hr/>
REDUCTION IN CASH POSITION .....		\$11,667,776
		<hr/>

# CANADIAN WESTINGHOUSE COMPANY LIMITED

## Notes To Consolidated Financial Statements

December 31, 1965

### (1) INCOME TAXES —

As a result of claiming capital cost allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$1,556,000 (\$1,400,000 in 1964) and accordingly this amount is included in the balance sheet under the item "Accumulated tax reductions applicable to future years".

### (2) FUNDED DEBT —

The 4½% sinking fund debentures require annual sinking fund payments of \$860,000. The 1966 instalment was provided for before December 31, 1965.

### (3) CAPITAL STOCK —

At December 31, 1965 there were outstanding options granted to certain employees to purchase an aggregate of 8,650 shares (including 4,800 shares optioned to officers) at prices varying from \$25 to \$53 per share, expiring at various dates up to February 1, 1970.

During the year 20,775 shares were issued pursuant to such options for cash, \$797,900, and one share was issued through conversion of fractional shares, \$40.

### (4) STATUTORY INFORMATION —

Expenses for 1965 include remuneration received by directors as directors, officers and employees, \$125,878.

## Auditors' Report

TO THE SHAREHOLDERS OF  
CANADIAN WESTINGHOUSE COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Westinghouse Company Limited and its wholly-owned subsidiaries as at December 31, 1965 and the statements of consolidated income and earned surplus and changes in the cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying financial statements present fairly the financial position of the companies as at December 31, 1965 and the results of their operations and the factors giving rise to the changes in the cash position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.  
*Chartered Accountants.*

Hamilton, Canada,  
January 21, 1966.



HEAD OFFICE  
HAMILTON, ONTARIO

PLANTS

TROIS RIVIERES, QUE.	ETOBICOKE, ONT.	BRANTFORD, ONT.
GRANBY, QUE.	GRIMSBY, ONT.	GALT, ONT.
SAINT-JEAN, QUE.	HAMILTON, ONT.	LONDON, ONT.
PORT HOPE, ONT.		VANCOUVER, B.C.

SALES OFFICES

HALIFAX, N.S.	TORONTO, ONT.	REGINA, SASK.
MONCTON, N.B.	NORTH BAY, ONT	SASKATOON, SASK.
SEPT-ILES, QUE.	HAMILTON, ONT.	CALGARY, ALTA.
CHICOUTIMI, QUE.	LONDON, ONT.	EDMONTON, ALTA.
QUEBEC CITY, QUE.	WINDSOR, ONT.	TRAIL, B.C.
MONTREAL, QUE.	FORT WILLIAM, ONT.	VANCOUVER, B.C.
OTTAWA, ONT.	WINNIPEG, MAN.	VICTORIA, B.C.

APPARATUS SERVICE CENTRES

HALIFAX, N.S.	TORONTO, ONT.	CALGARY, ALTA.
MONCTON, N.B.	HAMILTON, ONT.	EDMONTON, ALTA.
SEPT-ILES, QUE.	SWASTIKA, ONT.	VANCOUVER, B.C.
MONTREAL, QUE.	WINNIPEG, MAN.	NANAIMO, B.C.

CONSUMER PRODUCTS FACTORY SERVICE CENTRES

ST. JOHN'S, NFLD.	GRANBY, QUE.	HAMILTON, ONT.
HALIFAX, N.S.	MONTREAL, QUE.	LONDON, ONT.
RIMOUSKI, QUE.	SAINT-JEAN, QUE.	WINNIPEG, MAN.
CHICOUTIMI, QUE.	CORNWALL, ONT.	REGINA, SASK.
QUEBEC CITY, QUE.	OTTAWA, ONT.	CALGARY, ALTA.
SHERBROOKE, QUE.	TORONTO, ONT.	EDMONTON, ALTA.
TROIS RIVIERES, QUE.	ST. CATHARINES, ONT.	VANCOUVER, B.C.
DRUMMONDVILLE, QUE.		VICTORIA, B.C.

